

Message Text

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PAGE 01 MANILA 02818 020323Z

65

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 NEA-10 IO-11 H-02 L-03 /103 W

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R 170731Z FEB 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2504

INFO AMEMBASSY TOKYO

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USADB

PASS TREASURY FOR ZINMAN/MUNK

FOR NAC AGENCIES

E.O. 11652: ADS - DECLAS : 5/27/76

TAGS: EAID, EFIN, JA

SUBJECT: PROPOSED JAPANESE YEN BONDS

REF: (A) MANILA 2375, (B) TREASURY 76-13

1. ON 26 FEBRUARY ADB BOARD OF DIRECTORS AUTHORIZED
ISSUE AND SALE BY BANK OF PROPOSED PUBLIC BOND ISSUE IN
JAPAN OF YEN 15 BILLION (EQUIVALENT TO \$49,762,137 AT
EXCHANGE RATE ADOPTED BY BANK AS OF 31 DECEMBER 1975).
TERMS ARE: (A) 12 YEARS WITH FINAL MATURITY IN
MARCH 1988; (B) REDEMPTION AT PAR OR THROUGH PURCHASES
IN THE MARKET IN SIX (6) ANNUAL INSTALLMENTS OF YEN
900 MILLION IN MARCH OF EACH YEAR FROM 1982 TO 1987
AND FINAL INSTALLMENT OF YEN 9.6 BILLION IN MARCH 1988
WHICH RESULTS IN AVERAGE LIFE OF 10.74 YEARS; (C)

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PAGE 02 MANILA 02818 020323Z

COUPON RATE, 8.70 PERCENT PER ANNUM PAYABLE SEMI-

ANNUALLY; (D) ISSUE PRICE AT PAR SO INVESTOR YIELD OF 8.70 PER CENT PER ANNUM YIELD; (E) COMMISSION 1.75 PER CENT PAYABLE TO UNDERWRITERS AND 0.10 PER CENT TO COMMISSIONED COMPANIES; AND (F) COST TO ADB, 9.03 PER CENT. PRESS RELEASE BEING POUCHED.

2. IN SUPPORTING PROPOSAL, US ALTERNATE DIRECTOR SAID THAT: (A) THIS BOND ISSUE WILL MAKE JAPAN MAJOR SOURCE OF BANK BORROWINGS; (B) LONGER MATURITY OF THIS ISSUE IS IMPORTANT CONSIDERATION IN EXTENDING MATURITY STRUCTURE OF BANK BORROWINGS; (C) COUPON RATE APPEARED TO BE REDUCED BY 0.05 PER CENT AND COST TO ADB REDUCED BY 0.04 PER CENT COMPARED WITH RECENT ESTIMATE. US ALTERNATE DIRECTOR SAID HOWEVER, THAT NEGATIVE JAPANESE MARKET RATE DIFFERENTIAL BETWEEN LONG AND SHORT TERM AND NEGATIVE SPREAD BETWEEN THE COST TO BANK AND LENDING RATE OF LESS THAN ONE PER CENT COULD BE ACCEPTED SO LONG AS AVERAGE COST OF MONEY NOW ABOUT 8.6 PERCENT REMAINS LESS THAN LENDING RATE. BUT THERE COULD BE SUDDEN ADVERSE EFFECTS ON BANK INCOME, PARTICULARLY IF SHORT-TERM RATES ON BANK INVESTMENTS DECREASE OR CONTINUE TO BE SUBSTANTIALLY LOWER THAN COST TO BANK AS HIGH INTEREST SHORT-TERM BANK INVESTMENTS MATURE. ADB MANAGEMENT INDICATED AWARENESS OF POTENTIAL DIFFICULTIES.
SULLIVAN

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Message Attributes

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